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Analysis of the Effect of Compensation, Work Motivation, and Job Satisfaction on Employee Productivity: A Case Study of a Frozen Food Company in Poultry Processing

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This study explores the role of human resource management in achieving business goals, focusing on the impact of compensation and work motivation on employee job satisfaction. Conducted at a Frozen Food Company processing chicken and fast food items, the research spanned November to December 2023 across Maros Regency, Makassar City, and Gowa Regency. A quantitative approach was used, with a sample of 40 employees selected through non-probability sampling. Data were analyzed using structural equation modeling (SEM) with SmartPLS 4.0. Results show that compensation significantly impacts job satisfaction (path coefficient 0.524, p-value 0.001) and work motivation also has a significant effect (path coefficient 0.344, p-value 0.026). These findings emphasize the importance of improving compensation and work motivation to enhance employee satisfaction. Companies should focus on these areas within their human resource management strategies.
Keywords: Human resource management, compensation, work motivation, employee job satisfaction, frozen food industry, quantitative research, structural equation modeling (sem), smartpls 4.0.

INTRODUCTION

A crucial asset determining a company's success is human resources (HR). This is supported by adequate facilities and infrastructure, which are key to achieving the company's goals. However, the presence of competent HR without appropriate compensation and motivation can hinder the achievement of these goals. Employees, as individuals with thoughts, feelings, and needs, expect fair compensation for their contributions. Appropriate compensation also plays a significant role in employee job satisfaction. Proper compensation including salary, promotions, and other rewards can enhance job satisfaction. Dissatisfaction with compensation or monotonous tasks can lead to serious issues, such as employee theft. Research by Widyasari *et al.* (2017) ; Delfi *et al.* (2014) highlights that adequate compensation is directly related to a reduction in fraud incidents within companies.

Additionally, one important issue affecting employee productivity is motivation. Work motivation plays a crucial role in encouraging employees to contribute positively and meet or even exceed expected standards. According to Harliansyah (2022), motivation is a driving factor that creates work enthusiasm, leading employees to work effectively to achieve satisfaction. Research by Mubaroqah and Yusuf (2022) demonstrates a significant impact of work motivation on job satisfaction, emphasizing the importance of motivation in enhancing employee performance. Employee job satisfaction is influenced by various reward factors, including wages, supervision, working conditions, and opportunities for advancement. As'ad (2003) notes that job satisfaction can be affected by many factors, including unmet expectations and a less supportive work environment. Dissatisfaction often arises from unmet expectations, a less supportive work environment, or inadequate compensation (Wiliandari, 2015). In the frozen food industry, compensation management and employee motivation play a crucial role in enhancing job satisfaction. Companies in this sector often face challenges in designing compensation programs that are not only attractive but also meet employee needs and motivate them to achieve optimal performance. Dissatisfaction with compensation and lack of motivation can negatively impact productivity,

employee retention, and overall operational efficiency. Therefore, it is essential to understand how effective compensation policies and work motivation strategies can influence employee job satisfaction, which in turn can enhance their engagement and loyalty to the company.

This study aims to analyze the impact of work motivation and compensation on employee job satisfaction in the frozen food industry. The primary focus of this research is to understand how these factors affect job satisfaction, considering the work pressures that may be imposed by the company and the potential misalignment of benefits received by employees. This research is expected to provide in-depth insights into the factors affecting job satisfaction and offer solutions to improve working conditions in this sector.

MATERIALS AND METHODS

Sources of Data: This study was conducted at a frozen food company engaged in poultry processing and commercial broiler operations, as well as in fresh meat sales partnerships such as chicken meat, processed meat products like meatballs, sausages, and nuggets, dairy products, and others. The population for this study consisted of all store employees in the company. The sample was a subset of this population selected using a non-probability sampling technique. In this research, the researchers employed a non-probability sampling technique, which according to Manterola (2013), does not provide an opportunity for every element of the population to be selected as a sample. The specific sampling technique used in this study was total sampling. This method involves using the entire population as the sample. If the population size is less than 100 individuals, all members of the population are included in the sample. However, if the population size exceeds 100 individuals, a sample size of 10%-15% or 20%-25% of the population can be taken (Mukti and Arikunto, 2020). In this study, the population comprised 40 active store crew members.

Analysis Strategy: This study used data analysis methods with Smart PLS software, notably Partial Least Squares (PLS) analysis. PLS is a variance-based technique to structural equation modeling (SEM). This approach is used for path analysis, widely applied in behavioural studies, making PLS a statistical technique suitable for models with more than one dependent and independent variable (Farhan, 2024). SEM models extend path analysis, allowing for a more comprehensive determination of cause-and-effect relationships between exogenous and endogenous variables (Yunita *et al.*, 2024). SEM allows for the detection of both direct and indirect cause-and-effect linkages between observed variables or constructs, as well as the quantification of the components that contribute to their production. As a result, causal linkages between variables or constructs become more informative, complete, and correct.

RESULTS

Respondents Information:

Table 1. Demographic Profile

Description	Criteria	Frequency	Percentage %
Gender	Male	11	28
	Female	29	72
Education	Senior High school	35	88
	Bachelor Degree	5	12
Length of Work	> 1year	2	5
	1-2 year	17	43
	3-5 year	21	53
	> 1Tahun	2	5
Age	16-20	3	8
	21-25	24	60
	26-30	8	20
	30-35	5	12

The majority of employees in the company are women, comprising 29 respondents (72%). The most dominant educational level among employees is high school, with 35 individuals (88%), followed by those with a bachelor's degree, totalling 5 people (12%). This indicates that the role of store crew members requires individuals with at least a high school diploma to a bachelor's degree, as it necessitates high-level thinking, good decision-making skills, and the ability to work effectively both independently and in teams. In terms of tenure, the highest number of store crew members have worked at the company for 3-5 years, representing 53% of the respondents. This demonstrates significant experience and commitment among the store crew, as they have stayed with the company for a considerable period. Analysing Table.1 reveals that the majority of store crew members fall within 21-25 age range, comprising 60% of the respondents, followed by those aged 26-30 years, accounting for 20%. This indicates that the store crew predominantly consists of young and productive individuals, reflecting a dynamic workforce within the company.

Evaluation of Measurement Models: SmartPLS is a variance-based Structural Equation Modeling (SEM) approach that is widely used for route analysis, particularly in behavioural research. Path analysis is a multivariate statistical tool that examines the concurrent influence of elements, assisting in predictive, exploratory, or structural model creation (Hair *et al.*, 2019). When using SmartPLS, model evaluation typically involves assessing measurement models, structural models, as well as overall model quality and fit.

This comprehensive evaluation process helps ensure the validity and reliability of research findings. The measurement model in this study includes variables such as compensation, work motivation, job satisfaction, and variables related to dishonest behaviour, measured reflectively. According to Hair *et al*. (2019), the evaluation of reflective measurement models includes factors such as loadings ≥ 0.70, Cronbach's alpha, and average variance extracted (AVE ≥ 0.50).

The compensation variable is measured by 2 valid items, with outer loadings ranging from 0.864 to 0.875, indicating that there is a strong correlation between these measurement items in explaining the compensation received by employees in the company. The reliability of the compensation variable is acceptable with a composite reliability of 0.862 and Cronbach's alpha of 0.679, both exceeding the recommended thresholds of >0.60 or >0.70, and convergent validity indicated by AVE of 0.757 > 0.50. Overall, the variance explained by the measurement items in this variable reaches 75.7%. Compensation is notably reflected most strongly by C8 (LF=0.867), indicating that adequate working facilities for employees, such as work attribute uniforms, are provided by the company to support effective task performance. The work motivation variable is measured by 10 valid items, with outer loadings ranging from 0.737 to 0.917, indicating that the measurement of employee work motivation at Frozen Foor company is validly reflected by all ten measurement items. The reliability of the work motivation variable is high with a composite reliability of 0.956 and Cronbach's alpha of 0.949, and convergent validity indicated by AVE of 0.686 > 0.50. Overall, the variance explained by the measurement items in this variable reaches 68.6%. Among the ten valid work motivation measurement items, the highest value is represented by indicator WM7 (LF=0.917), reflecting persistence in the face of failure at work, which aligns with the concept of persistence as a strong indicator of work motivation. George and Jones (Sutanto and Fandianto, 2012) state that persistence refers to how employees behave when faced with challenges. Well-motivated employees strive to perform at their best for the company and exhibit resilient behaviour. The job satisfaction variable is measured by 14 valid items, with outer loadings ranging from 0.714 to 0.893, indicating that all 14 measurement items validly reflect employee job satisfaction in this company. The reliability of the job satisfaction variable is high, with a composite reliability of 0.963 and Cronbach's alpha of 0.959. Convergent validity is indicated by an AVE of 0.653, which exceeds 0.50. Overall, the measurement items in this variable explain 65.3% of the variance. Among the fourteen valid job satisfaction measurement items, satisfaction is notably reflected most strongly by JS14 (loading factor = 0.893), related to social aspects, and JS9 (loading factor = 0.881), related to communication. This suggests that maintaining

high job satisfaction among employees at the company is recommended by these items.

Table 2. The values of CA, CR, AVE, and Factor Loading.

Variabel	Measure-ment items	Factor loading	Cronbach alpha	Composite reability	Ave
Compen-sation	C7	0.864	0.679	0.862	0.757
	C8	0.875			
Work Motivation	WM1	0.799	0.949	0.956	0.686
	MW2	0.773			
	MW4	0.862			
	WM5	0.854			
	WM6	0.843			
	WM7	0.917			
	WM8	0.813			
	WM9	0.804			
	WM10	0.806			
	WM11	0.805			
Job Satisfac-tion	JS1	0.714	0.959	0.963	0.653
	JS2	0.733			
	JS3	0.754			
	JS5	0.841			
	JS6	0.852			
	JS7	0.872			
	JS8	0.743			
	JS9	0.881			
	JS10	0.764			
	JS11	0.784			
	JS13	0.816			
	JS14	0.893			
	JS15	0.769			
	JS16	0.866			

Table 3. Fornell dan Lacker.

	Work Satisfaction	Work Motivation	Compen-sation
Work satisfaction	**0.808**		
Work motivastion	0.664	**0.828**	
Compensation	0.734	0.610	**0.870**

Evaluating discriminant validity involves checking the Fornell and Larcker criteria, which ensure that variables are theoretically distinct and have been empirically or statistically proven. According to these criteria, the square root of the AVE (Average Variance Extracted) of a variable should be greater than its correlations with other variables. For instance, the square root of AVE for the variables are as follows: job satisfaction is 0.808, work motivation is 0.828, and compensation is 0.870. Table 3 highlights the bolded Fornell-Larcker criterion values for each construct. It can be observed that these criterion values for each construct are higher than the correlations with other latent variables tested. This indicates that each indicator question can be well predicted by its corresponding latent variable, while non-bolded figures represent correlations between constructs and other constructs

Structural Model Evaluation: The first hypothesis (H1) is accepted, indicating a significant influence of compensation on job satisfaction with a path coefficient of 0.524 and a significance level (p-value) of 0.001, which is less than 0.05. The presence of compensation in enhancing job satisfaction exhibits a high mediating effect at the structural level (f square = 0.441). Therefore, compensation enhancement programs are deemed crucial, as company policies aimed at improving compensation are projected to increase job satisfaction up to 0.818.

Table 4. Hypothesis Testing (Direct Influence).

Hypothesis	Path Coefficient	P-Value	95% Path coefficient confidence interval		F Square
			Lower limit	Upper limit	
C -> WS	0.524	0.001	0.206	0.818	0.444
WM -> WS	0.344	0.026	0.082	0.690	0.192

The second hypothesis reveals a significant influence of work motivation on job satisfaction, with a path coefficient of 0.344 and a significance level of 0.026, which is also less than 0.05. The presence of work motivation in enhancing job satisfaction demonstrates a moderate mediating effect at the structural level (f square = 0.193).
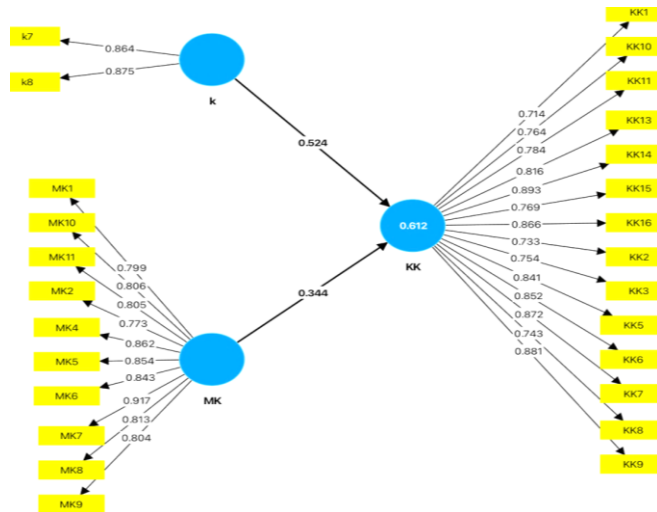
Figure 1. Structural Model.

Evaluation of Model Goodness and Fit: SEM PLS, a variance-based analysis, is used to evaluate theory models that are prediction-oriented. To determine the suitability of the suggested model, several metrics are considered, including R square and the Goodness of Fit (GoF) Index. R square measures the amount of variance in the endogenous variables that can be explained by the exogenous and other endogenous variables in the model. According to Chin (1998), R square can be qualitatively interpreted as follows: 0.19 indicates a low effect, 0.33 indicates a moderate effect, and 0.66 indicates a large effect.

Table 5. Table R Square.

	R Square	R square adjusted
Job Satisfaction	0.612	0.592

Table 6. GoF Index

Average Communality	Rerata R square	GoF Index
0.699	0.612	0.836

The Goodness of Fit (GoF) index evaluates both the structural model and the measurement model components within the overall model. This index can only be computed using reflective measurement models, obtained by multiplying the average geometric communalities by the average R-squared values. GoF values are interpreted as follows, according to Wetzels *et al*. (2009) 0.1 indicates low GoF, 0.25 indicates moderate GoF, and 0.36 indicates high GoF. Based on the obtained R-squared values, it can be concluded that the influence of compensation and work motivation on job satisfaction explains 61.2% of the variance, indicating a moderate effect. Furthermore, based on Table 6, the computed GoF value of the model is 0.836, which falls into the category of high GoF. This indicates that the empirical data sufficiently supports the measurement model and suggests that the model is highly suitable for the proposed model.

DISCUSSION

Based on research findings, it is known that job satisfaction is significantly influenced by the compensation received by employees at a Frozen Food Company in Poultry Processing, with a path coefficient of 0.524 and a p-value of 0.001 (< 0.05). Employees in the company perceive that the compensation, especially in terms of allowances received, is adequate for the tasks they perform, such as serving customers, maintaining cleanliness in stores and offices, preserving store assets, regularly checking inventory, and achieving sales targets set by the company. Furthermore, there is a need for improvement in the facilities provided to employees, such as ensuring uniforms are well-maintained for an attractive appearance, providing job-related attributes like stationery, brochures, freezers, cleaning tools, and others. These workplace facilities support employees in completing their tasks and enhance their performance. According to Wood (1999), workplace facilities refer to tools provided by a company to meet employees' job requirements, facilitating task completion and improving performance. The presence of adequate workplace facilities enhances employee

productivity and performance. The level of employee work productivity is also influenced by the facilities provided by the company. According to Wuntu and Mogea (2022), workplace facilities significantly impact employee productivity because comprehensive facilities facilitate employees in performing their tasks, thereby achieving productivity goals. This implies that when employees have access to necessary facilities, their work productivity can be effectively realized. This assertion is supported by previous research indicating a positive relationship between workplace facilities, employee productivity, and job satisfaction (Komariah, 2018). Therefore, it is crucial for management to maintain and continuously improve these facilities by consistently addressing the compensation provided to all employees to uphold job satisfaction. This aligns with findings from Putra (2016), which suggest a positive impact of compensation on job satisfaction. When employees perceive their compensation as fair, it enhances satisfaction and improves their performance. Other research results also indicate that compensation has a positive and significant influence on employee job satisfaction (Lawren and Ekawati, 2023). Based on research findings, the variable of employee work motivation towards job satisfaction shows a significant influence with a path coefficient of 0.344 and a p-value of 0.026 (< 0.05). Work motivation appears stronger when reflected in indicators such as the level of persistence. This indicator measures employees' continual efforts to rectify mistakes, turn feedback into motivation, and persisting despite failures, especially in achieving sales targets. This aligns with the perspective of George and Jones in (Sutanto and Fandianto, 2012) that employees with positive motivation will exert their best efforts for the company and maintain positive behaviours even in challenging work conditions. The level of persistence indicator refers to the efforts employees make in facing problems, challenges, obstacles, or hindrances at work. These aspects should be consistently maintained to enhance employee performance. Indicators that need improvement include Direction of Behaviour, which refers to the behaviours chosen by employees that may hinder operations at Frozen Food Company in Poultry Processing, such as frequent absenteeism tardiness, poor relationships with colleagues (Dhewi, 2004), and non-compliance with company rules (O'riordan, 2017). Therefore, every employee must be motivated to exhibit the best behaviours for the company. George and Jones (2005), as cited in Kartika and Kaihatu (2010), state that employees exhibit various behaviours at work, some of which align with organizational goals and others that do not. Instances where employees behave contrary to organizational objectives can slow down organizational performance in achieving its goals. To support the acceleration of achieving company objectives, behaviours should align with company principles so that employee

behaviours can positively contribute to the company. Therefore, there is a need for increased motivation in terms of Direction of Behaviour, both from the employees themselves and from the company. The indicator that needs to be improved next is the Level of Effort, which relates to how hard employees work in accordance with their chosen behaviours, such as completing tasks on time (O'riordan, 2017) and diligently performing their duties. Employees should not only follow the company's standard procedures in their daily activities but also take responsibility for completing tasks promptly and delivering final results that meet the company's expectations. George and Jones (2005), as cited in Kartika *et al*., (2010), explain that the level of effort reflects how diligently individuals work, as seen in their behaviours. Employees should not only adhere to the company's standard procedures but also ensure timely completion of tasks. Therefore, it is essential for employees to consistently maintain positive motivation in their work. Based on research findings, to enhance job satisfaction and employee productivity at Frozen Food Company in Poultry Processing, it is crucial to focus on improving evaluation processes and enhancing compensation. Compensation provided by the company serves direct purposes and benefits for employees. A clear, accurate, and systematic compensation system can foster satisfaction and motivation among employees, thereby improving their performance. Compensation serves as a form of recognition for employees' contributions to the company, and its effective management is integral to human resource management functions (Sukoco and Prameswari, 2017).In addition to compensation, motivation plays a vital role in optimizing employee performance. According to Aruan (2013) and supported by Brahmasari and Suprayetno (2008);Subariyanti (2017), work motivation significantly influences job satisfaction. Motivation can empower employees to perform optimally, align their skills with organizational goals, uphold commitment to the company, and enhance overall performance. Based on the results of this study, to enhance job satisfaction and productivity at Frozen Food Company in Poultry Processing, there is a need for increased evaluation and improvements in compensation. Compensation provided by the company to employees fundamentally aims to benefit and directly impact the employees themselves. With a clear, accurate, and systematic compensation system, employees can experience satisfaction and motivation in their work, thereby improving their overall performance. Compensation is what employees receive in exchange for their contributions to the company. Providing compensation is one of the human resource management functions related to rewarding individuals for their organizational tasks (Sukoco and Prameswari, 2017). Furthermore, improving work motivation also involves aspects such as Direction of Behaviour, Level

of Effort, and Level of Persistence, as motivation serves as a driving force that encourages employees to work harder and better towards achieving the company's goals (Hasibuan, 2014). By motivating employees, companies can increase enthusiasm for work, enhance performance, deepen employee loyalty, increase employee participation, and serve as a means to improve organizational efficiency and effectiveness overall.

Conclusion: Research findings indicate that compensation and work motivation significantly influence employee job satisfaction. Enhancing compensation and motivation can improve job satisfaction. Work motivation is crucial for boosting employees' enthusiasm and productivity. Therefore, it is recommended that companies implement compensation and motivation enhancement programs as part of their human resource management strategies. Regular evaluations and adjustments to compensation policies and motivation according to employees' needs and expectations are also necessary. Additionally, companies should pay attention to career development opportunities and work-life balance to create a satisfying work environment that supports employees' overall well-being. This study has several limitations. Many variables could be added to expand and deepen future research on employee job satisfaction within companies. Furthermore, involving a larger number of respondents could provide more varied opinions and enhance the accuracy of the research results.

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SDG's addressed: Decent Work and Economic Growth.

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